

Chay Enterprises, Inc.  
Form 10-K  
March 31, 2009

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-K**

**X . ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended: December 31, 2008

**. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission File No. 333-146542**

**CHAY ENTERPRISES, INC.**

(Name of small business issuer in its charter)

|                              |                                 |
|------------------------------|---------------------------------|
| <b><u>Colorado</u></b>       | <b><u>26-0179592</u></b>        |
| (State or other jurisdiction | (I.R.S. Employer Identification |
| of incorporation or          | No.)                            |
| organization)                |                                 |

**5459 S. Iris St.**

**Littleton, CO 80123**

(Address of principal executive offices)

Issuer's telephone number: **303-932-9998**

Securities Registered pursuant to Section 12(b) of the Act: **None.**

Securities Registered pursuant to Section 12(g) of the Exchange Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
. Yes  . No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. . Yes  . No

**Note** checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  . Yes  . No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.  .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  .

Accelerated filer  .

Non-accelerated filer  . (Do not check if a smaller reporting company)

Smaller reporting company  .

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).  . Yes  . No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. Our common stock is listed on the Over the Counter Bulletin Board (OTCBB), under the symbol CHYE. There was not an active market and no trading volume during fiscal 2007 and there has been extremely limited trading volume in 2008, therefore the aggregate market value of the issuer's common stock held by non-affiliates at March 23, 2009 is deemed to be \$-0-.

**Note.** If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided that the assumptions are set forth in this Form.

APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY

PROCEEDING DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

. Yes . No

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date:

| <u>Class</u>               | <u>Outstanding as of March 23, 2009</u> |
|----------------------------|---|
| Common Stock, no par value | 929,718                                 |

DOCUMENTS INCORPORATED BY REFERENCE

List hereunder the following documents if incorporated by reference and the Part of the Form 10-K (e.g., Part I, Part II, etc.) into which the document is incorporated: (1) Any annual report to security holders; (2) Any proxy or information statement; and (3) Any prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act of 1933. The listed documents should be clearly described for identification purposes (e.g., annual report to security holders for fiscal year ended December 24, 1980).

**PART I**

**ITEM 1. BUSINESS.**

We operate in the real estate industry and we primarily acquire tracts of raw land and develop them into residential lots for sale to homebuilders or individuals.

Considerable up front costs in any real estate platting project must first be incurred and paid for, thus in the early stages of our real estate projects significant amounts of capital can be required until platting occurs, and lots are improved and sold. Predictably, greater revenues will be achieved as soon as a portion of the lots are improved and sold. When the lot development plan has been completed and accepted by Fall River County, South Dakota, and construction of the lots completed, the sale of these lots will be currently funded and closed.

We currently own 32 residential building lots in Fall River County, South Dakota. All of our lots are located within one and a half block area in the city limits of Hot Springs. We intend to combine and develop the lots into approximately 12 single and multi family residential building sites.

Nestled in the Southern Black Hills of South Dakota, Hot Springs is home to natural springs, pleasant year-round weather, many outdoor activities, scenic beauty, plentiful golfing, and unusual sandstone architecture.

We believe Hot Springs, South Dakota is attractive to potential real estate investors and purchasers because of the attractions, location and amenities discussed below.

Local attractions in Hot Springs include:

.

Evans Plunge and its naturally warm 87 degree spring water

.

The Mammoth Site which is America's greatest Ice Age treasure

.

The Wild Horse Sanctuary where American mustangs roam free

.

Close proximity, less than an hour, from Mt. Rushmore National Monument

.

Close proximity to the Wind Cave National Park and Custer State Park

Hot Springs is located at the southern edge of the Black Hills and offers:

.

Micro-climate with relatively mild winters

.

Summers include warm days and cool nights with low humidity

.

Red rock canyons and pine covered hills provide magnificent scenery

Hot Springs is a bustling community of 4,250 people that provides a small town atmosphere, including:

.

Good schools and churches

.  
Low crime rate

.  
An active and energetic business community

Hot Springs is the cultural capital of the Black Hill and offers:

.  
Many fine galleries filled with original art

.  
Annual arts festivals, songwriter s galleries and more

.  
The Badger Clark Hometown Poetry and Music Gathering every fall

.  
Locations for filming motion pictures such as Hildalgo which was filmed in the area

Local artists and musicians displaying their talents in local businesses at various times throughout the year

Outdoor recreational activities in and around Hot Spring include:

Golf at the well known Southern Hills Golf Course

Angostura Reservoir which offers top notch fishing and boating

Great hunting is available including wild turkeys, antelope, deer and elk

Winter sports activities are less than an hour away

## **Competition**

We compete with a large number of companies and individuals, and many of them have significantly greater financial and other resources than we have. Our competitors include local developers who are committed primarily to particular markets and also national developers who acquire properties throughout the U.S.

## **Governmental Regulation**

Before we can develop a property, we must obtain a variety of approvals from local and state governments with respect to such matters as zoning, density, parking, sub-division, site planning and environmental issues. Certain of these approvals are discretionary by nature. Because certain government agencies and special interest groups are



involved there is a high degree of uncertainty in obtaining these approvals.

## **Employees**

We currently have only one employee, Philip J. Davis who is our sole officer and director. Mr. Davis will devote such time as needed to pursue the business operations of Chay Enterprises.

## **ITEM 1A. RISK FACTORS.**

The Company's business is subject to numerous risk factors, including the following.

**We have relied on loans from shareholders to fund our operations that must be repaid.** If we fail to repay our outstanding notes, we may not be able to continue our operations and you may lose your entire investment.

**We have not performed any formal market studies, so we may not be able to market, sell or develop our property due to focusing on the wrong markets.** In making our business plan, we relied on the judgment and experience of our management. We did not conduct any formal market studies about the demand for our property, and we have no plans to conduct such studies. Without market studies, we may miss opportunities to expand into other markets or identify emerging trends in the local real estate market. If we overestimate the demand for our business or fail to capitalize on new markets, our business could fail.

**We operate in a very competitive business environment, with the risk that we could lose some or all of our potential clientele to our competitors.** Because we are a company with a limited history, our operations are subject to numerous risks similar to that of a start-up company. We expect the real estate development business to be highly competitive because many developers have access to the same market. Substantially all of them have greater financial resources and longer operating histories than we have and can be expected to compete within the business in which we engage and intend to engage. We cannot assure that we will have the necessary resources to be competitive. Also, we may not be able to establish our identity in this competitive industry. If we cannot compete successfully, our business will fail and you will lose your investment.

**The real estate business is highly competitive and many of our competitors are larger and financially stronger than we are.** We compete with a large number of companies and individuals, and many of them have significantly greater financial and other resources than we have. Our competitors include local developers who are committed primarily to particular markets and also national developers who acquire properties throughout the U.S. Because we are a company with a limited history, our operations are subject to numerous risks similar to that of a start-up

company. We cannot assure that we will have the necessary resources to be competitive.

**We may not be able to conduct successful operations in the future.** The results of our operations will depend, among other things, upon our ability to develop and market our properties. Furthermore, our proposed operations may not generate income sufficient to meet operating expenses or will generate income and capital appreciation, if any, at rates lower than those anticipated or necessary to sustain ourselves. Our operations may be affected by many factors, some known by us, some unknown, and some which are beyond our control. Any of these problems, or a combination thereof, could have a materially adverse effect on our viability as an entity and might cause the investment of our shareholders to be impaired or lost.

**To fully develop our business plan, we will need additional financing for which we have no firm commitments.**

To date and in the foreseeable future, we expect to rely principally upon internal financing. We expect to fund our site development through loans, or guaranteed loans made by our president and certain other shareholders. We cannot guarantee the success of this plan. We believe that from time to time, we may have to obtain additional financing in order to conduct our business in a manner consistent with our proposed operations. There can be no guaranty that additional funds will be available when, and if, needed. If we are unable to obtain financing, or if its terms are too costly, we may be forced to curtail proposed expansion of operations until such time as alternative financing may be arranged, which could have a materially adverse impact on our operations and our shareholders' investment.

**We are subject to risk associated with investments in real estate.** The value of, and our potential income from, our properties may decline due to developments that adversely affect real estate generally and those that are specific to our properties. General factors that may adversely affect our real estate portfolios include:

- increases in interest rates;
- a general tightening of the availability of credit;
- a decline in the economic conditions in one or more of our primary markets;
- an increase in competition for customers or a decrease in demand by customers;
- an increase in supply of our property types in our primary markets;
- declines in consumer spending during an economic recession that adversely affect our revenue; and
- the adoption on the national, state or local level of more restrictive laws and governmental regulations, including more restrictive zoning, land use or environmental regulations and increased real estate taxes.

Additional factors may adversely affect the value of, and our income from, specific properties, including:

- adverse changes in the perceptions of prospective purchasers of the attractiveness of the property;
- opposition from local community or political groups with respect to development or construction at a particular site;
- a change in existing comprehensive zoning plans or zoning regulations that impose additional restrictions on use or requirements with respect to our property;
- our inability to provide adequate management and maintenance or to obtain adequate insurance;
- an increase in operating costs;
- new development of a competitor's property in or in close proximity to one of our current markets; and
- earthquakes, floods or underinsured or uninsured natural disasters.

The occurrence of one or more of the above risks could result in significant delays or unexpected expenses. If any of these occur, we may not achieve our projected returns on properties under development and we could lose some or all of our investments in those properties.

**We are subject to real estate development risks.** Our development projects are subject to significant risks relating to our ability to complete our projects on time and on budget. Factors that may result in a development project exceeding budget or being prevented from completion include:

- an inability to secure sufficient financing on favorable terms, including an inability to refinance construction loans;
- construction delays or cost overruns, either of which may increase project development costs;
- an increase in commodity costs;
- an inability to obtain zoning, occupancy and other required governmental permits and authorizations;

If any of these occur, we may not achieve our projected returns on properties under development and we could lose some or all of our investments in those properties.

**Recent downturns in the real estate market and home mortgage financing may significantly impact our future development plans.** The real estate industry is cyclical and is subject to numerous economic factors including general business conditions, changes in interest rates, inflation and oversupply of properties. Any sustained period of weakness or weakening business or economic conditions in the markets in which we intend to do business or in related markets, such as those experienced since July 2007, could result in a continuing decrease in the demand for the type of properties we intend to develop.

**We are vulnerable to concentration risks because our operations are currently exclusive to the Hot Springs, South Dakota area.** Because of our geographic concentration and limited number of projects, our operations are more vulnerable to local economic downturns and adverse project-specific risks than those of larger, more diversified companies.

The performance of the South Dakota economy greatly affects our sales and, consequently the underlying values of our properties. The South Dakota economy is heavily influenced by conditions and employment in the farming and ranching industries. Adverse conditions in these markets, could negatively affect the economy in our market. Rising interest rates may adversely affect our ability to sell lots and homes.

**Our results of operations and financial condition will be greatly affected by the performance of the real estate industry.** Our real estate activities are subject to numerous factors beyond our control, including local real estate market conditions, both where our properties are located and in areas where our potential customers reside, substantial existing and potential competition, general national, regional and local economic conditions, fluctuations in interest rates and mortgage availability and changes in demographic conditions. Real estate markets have historically been subject to strong periodic cycles driven by numerous factors beyond the control of market participants.

Real estate investments often cannot easily be converted into cash and market values may be adversely affected by these economic circumstances, market fundamentals, competition and demographic conditions. Because of the effect these factors have on real estate values, it is difficult to predict with certainty the level of future sales or sales prices that will be realized for individual assets.

Our real estate operations are also dependent upon the availability and cost of mortgage financing for potential customers, to the extent they finance their purchases, and for buyers of the potential customers' existing residences.

**Our operations are subject to an intensive regulatory approval process.** Before we can develop a property, we must obtain a variety of approvals from local and state governments with respect to such matters as zoning, density, parking, sub-division, site planning and environmental issues. Certain of these approvals are discretionary by nature. Because certain government agencies and special interest groups are involved there is a high degree of uncertainty in obtaining these approvals.

**Our operations are subject to natural risks.** Our performance may be adversely affected by weather conditions that delay development or damage property.

The U.S. military intervention in Iraq, the terrorist attacks in the U.S. on September 11, 2001 and the potential for additional future terrorist acts have created economic, political and social uncertainties that could materially and adversely affect our business.

Further acts of terrorism could be directed against the U.S. domestically or abroad, these acts of terrorism could be directed against properties and personnel of companies such as ours. Terrorism and war developments may materially and adversely affect our business and profitability and the prices of our common stock in ways that we cannot predict at this time.

**We depend entirely on our executive officer to run our business, and losing the services of any executive officer would adversely affect our business.** Our success depends entirely on our CEO, Philip J. Davis. We have no written employment agreements to keep Mr. Davis bound to us or to prevent him from competing with us he leaves. The process of finding qualified managers, either for replacement or expansion, is often lengthy. We can give you no assurance that we will succeed in attracting and retaining qualified executives and personnel. The loss of key personnel, or the inability to attract additional qualified personnel, could materially harm our business.

**Our principal stockholders will retain control of Chay Enterprises.** Even if our two principal stockholders sell some of their shares, they will continue to hold a majority of the issued and outstanding shares and they may exercise control over the company and prevent a change of control in the company.

**Our stock will likely be subject to the Penny Stock rules, which impose significant restrictions on broker-dealers and may affect the resale of our stock.** A penny stock is generally a stock that:

- is not listed on a national securities exchange or NASDAQ,
- is listed in the "pink sheets" or on the NASD OTC Bulletin Board,
- has a price per share of less than \$5.00 and
- is issued by a company with net tangible assets less than \$5 million.

The penny stock trading rules impose additional duties and responsibilities upon broker-dealers and salespersons effecting purchase and sale transactions in common stock and other equity securities, including

- determination of the purchaser's investment suitability,
- delivery of certain information and disclosures to the purchaser, and
- receipt of a specific purchase agreement before effecting the purchase transaction.

Many broker-dealers will not effect transactions in penny stocks, except on an unsolicited basis, in order to avoid compliance with the penny stock trading rules. In the event our common stock becomes subject to the penny stock trading rules,

- such rules may materially limit or restrict the ability to resell our common stock, and
- the liquidity typically associated with other publicly traded equity securities may not exist.

Because of the significant restrictions on trading penny stocks, a public market may never emerge for our securities. If this happens, you may never be able to publicly sell your shares.

**ITEM 2. PROPERTIES.**

We own 32 residential building lots in Fall River County, South Dakota. Specifically, we own Lots 7, 8, 9, 10, 11, 12, 13, 14, 16 and 16, Block 5; and Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21 and 22, Block 6, all in Cold Spring Addition to the town, now city, of Hot Springs, Fall River County, South Dakota. The property is not encumbered.

We use office space provided by Philip J. Davis, our officer and director, at no charge for our business operations.

**ITEM 3. LEGAL PROCEEDINGS.**

The Company is not the subject of any pending legal proceedings; and to the knowledge of management, no proceedings are presently contemplated against the Company by any federal, state or local governmental agency.

Further, to the knowledge of management, no director or executive officer is party to any action in which any has an interest adverse to the Company.



**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.**

On July 31, 2008, Chay's shareholders approved an increase in the number of authorized shares of common stock from 25,000,000 to 100,000,000, and approved a reverse split of the Company's common stock in the ratio of 1 share for 3.5 shares. Fractional shares were rounded up to the nearest whole share. All references in the accompanying financial statements to the number of shares authorized and outstanding and to the per share amounts have been retroactively adjusted to reflect the reverse stock split.

**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.****Market Information**

Our common stock is listed on the Over the Counter Bulletin Board (OTCBB), under the symbol "CHYE". There was not an active market and no trading volume during fiscal 2007 and there has been extremely limited trading volume in 2008.

|  | CLOSING BID |      | CLOSING ASK |      |
|--|-------------|------|-------------|------|
| <b>2008</b>  |             |      |             |      |
| March 14 (first available) Thru March 31                     | NONE        | NONE | NONE        | NONE |
| April 1, Thru June 30  | .25         | .25  | NONE        | NONE |
| July 1 Thru July 31  | .35         | .25  | 1           | 1    |
| August 1 Thru September 30 (after a 1 for 3.5 reverse split) | 1.50        | 1.50 | NONE        | NONE |
| October 1 Thru December 31                                   | 1.50        | 1.50 | NONE        | NONE |

The above quotations, as provided by Pink Sheets OTC Markets, Inc., represent prices between dealers and do not include retail markup, markdown or commission. In addition, these quotations do not represent actual transactions.

## **Holders**

As of March 23, 2009, there were approximately 236 shareholders of record holding 929,718 shares of common stock. This number does not include an indeterminate number of stockholders whose shares are held by brokers in street name. The holders of common stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders. Holders of the common stock have no preemptive rights and no right to convert their common stock into any other securities. There are no redemption or sinking fund provisions applicable to the common stock.

## **Dividends**

We have not paid, nor declared, any cash dividends since our inception and do not intend to declare any such dividends in the foreseeable future. Our ability to pay cash dividends is subject to limitations imposed by Nevada law. Under Nevada law, cash dividends may be paid to the extent that a corporation's assets exceed its liabilities and it is able to pay its debts as they become due in the usual course of business.

## **Securities Authorized for Issuance Under Equity Compensation Plans**

None.

## **Recent Sales or Purchases of Unregistered Securities**

None.

## **ITEM 6. SELECTED FINANCIAL DATA.**

Since we are a smaller reporting company, as defined by SEC regulation, we are not required to provide the information required by this Item.

## **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

### **FORWARD-LOOKING STATEMENTS**

The statements made below with respect to our outlook for fiscal 2009 and beyond represent forward looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities and Exchange Act of 1934 and are subject to a number of risks and uncertainties. These include, among other risks and uncertainties, whether we will be able to generate sufficient cash flow from our operations or other sources to fund our working capital needs, maintain existing relationships with our lender, successfully introduce and attain market acceptance of any new products, attract and retain qualified personnel both in our existing markets and in new territories in an extremely competitive environment, and potential obsolescence of our technologies.

In some cases, you can identify forward-looking statements by terms such as may, will, should, could, would, plans, anticipates, believes, estimates, projects, predicts, potential and similar expressions intended to identify forward-looking statements. These statements are only predictions and involve known and unknown risks, uncertainties, and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by such forward-looking statements. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Also, these forward-looking statements represent our estimates and assumptions only as of the date of this report. Except as otherwise required by law, we expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained in this report to reflect any change in our expectations or any change in events, conditions or circumstances on which any of our forward-looking statements are based. We qualify all of our forward-looking statements by these cautionary statements.

### **Period from December 31, 2008 to December 31, 2007**

We did not generate any revenue from July 31, 2001 (date of development stage) to December 31, 2008. We reported a net loss of \$31,881 for the year ended December 31, 2008, compared to a net loss of \$31,995 for the year ended December 31, 2007.

For the year ended December 31, 2008 our operating expenses were \$29,232, compared to expenses of \$31,195 for the year ended December 31, 2007. For each year, expenses consisted of professional fees, real estate taxes, and miscellaneous expenses. The professional fees are, to a large extent, the cost of preparing and filing the various reports required by the SEC for a public reporting company. The fees incurred during 2007 included cost related to filing a Form SB-2 registration statement that was not repeated during 2008. For the year ended December 31, 2008, we also incurred interest expense of \$2,649, compared to interest expense of \$800 for the year ended December 31, 2007.

### **Liquidity and Capital Resources**

At December 31, 2008 we had total assets of \$32,936. Current assets consisted of \$2,782 in cash. Non-current assets consisted of our investment in real estate of \$30,154. Current liabilities at December 31, 2008 totaled \$76,800 and consisted of \$58,962 in a note payable to related parties, \$9,078 in advances payable to a related party, \$4,220 in accounts payable, \$1,091 in accrued real estate taxes, and \$3,449 in accrued interest payable to related parties.

We do not anticipate any capital expenditures in the next twelve months. We do not have any off-balance sheet financing arrangements.

We owe a shareholder \$9,078 for advances which are non-interest bearing and due on demand. We entered into a revolving convertible loan agreement with four of our shareholders on April 23, 2007. The principal maximum amount of the loan that can be drawn is \$100,000 bearing interest at 6% per annum. At December 31, 2008, we had borrowed \$58,962 on the revolving loan. Subsequent to December 31, 2008, we borrowed an additional \$7,000 on the revolving loan. The lenders are Philip J. Davis, Gary A. Agron, GM/CM Family Partners, Ltd. and Mathis Family Partners, Ltd. We have accrued interest payable of \$3,449.

We will need additional funding to achieve our real estate development goals and to pay for the costs associated with being a public company, including compliance and audits of our financial statements. In the past we have relied on loans and advances from shareholders to fund our operations, however we have no written or firm agreement regarding financing.

On July 31, 2008, our shareholders approved an increase in the number of authorized shares of common stock from 25,000,000 to 100,000,000, and approved a reverse split of the Company's common stock in the ratio of 1 share for 3.5 shares.

On October 24, 2007, our SB-2 registration statement which registered existing shares for resale went effective with the Securities and Exchange Commission. The registration statement covered 381,972 shares (post-split) that were issued to security holders in 1996 and 2001 in private placement transactions which were exempt from the registration and prospectus delivery requirements of the Securities Act of 1933. We did not receive any of the proceeds from the sale of those shares.

### **Plan of Operation**

We intend to further develop our lots in Fall River County, South Dakota by combining and developing the lots into approximately 12 single and multi family residential building sites which we will then attempt to sell to individuals or other developers.

To date, we have performed preliminary engineering plans regarding basic utilities such as roads, water, sewer, and power. Our next steps will be to complete the full engineering plan and then obtain plat approval from the city of Hot Springs based on our full engineering plan showing how the property will be subdivided. We plan to obtain estimates for complete engineering of our property development. In response to the current downturn in the economy, and specifically with regard to uncertainty in the real estate industry, we decided to postpone our development plans for 2008 and 2009. We have not established a new timetable for property development and our decision to proceed will be dependent upon, among other things, availability of financing and improved real estate industry fundamentals.

We purchased our property in 2001 for approximately \$30,000 and a 2006 evaluation indicates the value of our undeveloped property to be approximately \$87,700. Although we intend to pursue developing the property into building lots, we may, should we have an excellent offer, sell the land unimproved. However, we believe by improving the property into building sites, we can optimize returns for our shareholders.

### **Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our consolidated financial condition, results of operations or liquidity.

### **Need For Additional Financing**

Based upon current management's willingness to extend credit to the Company and/or invest in the Company the Company believes that its existing capital will be sufficient to meet the Company's cash needs required for the costs of compliance with the reporting requirements of the Securities Exchange Act of 1934, as amended. As current management is under no obligation to continue to extend credit to the Company and/or invest in the Company, there is no assurance that such credit or investment will continue or that it will continue to be sufficient for future periods.

#### **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

The required financial statements are included following the signature page of this Form 10-K.

#### **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

The Company has had no disagreements with its certified public accountants with respect to accounting practices or procedures or financial disclosure.

#### **ITEM 9A(T). CONTROLS AND PROCEDURES.**

*(a) Evaluation of Disclosure Controls and Procedures.* Our management, with the participation of our President, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our President concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective such that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our President, as appropriate to allow timely decisions regarding disclosure. A controls system cannot provide absolute assurance, however, that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

We believe our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives and our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective.



*Management's Annual Report on Internal Control over Financial Reporting.* Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes of accounting principles generally accepted in the United States.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives.

Our management, with the participation of the President, evaluated the effectiveness of the Company's internal control over financial reporting as of December 31, 2008. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control Integrated Framework. Based on this evaluation, our management, with the participation of the President, concluded that, as of December 31, 2008, our internal control over financial reporting was not effective due to material weaknesses in the system of internal control. Specifically, management identified the following control deficiencies.

(1) The Company has not properly segregated duties as its President initiates, authorizes, and completes all transactions. The Company has not implemented measures that would prevent the President from overriding the internal control system. The Company does not believe that this control deficiency has resulted in deficient financial reporting because the President is aware of his responsibilities under the SEC's reporting requirements and personally certifies the financial reports. In addition, the Company engaged a financial consultant to review all financial transactions to determine that they have been properly recorded in the financial statements. (2) The Company has installed accounting software that does not prevent erroneous or unauthorized changes to previous reporting periods and does not provide an adequate audit trail of entries made in the accounting software. The Company does not think that this control deficiency has resulted in deficient financial reporting because the Company has implemented a series of manual checks and balances to verify that previous reporting periods have not been improperly modified and that no unauthorized entries have been made in the current reporting period.

Accordingly, while the Company has identified certain material weaknesses in its system of internal control over financial reporting, it believes that it has taken reasonable steps to ascertain that the financial information contained in this report is in accordance with generally accepted accounting principles. Management has determined that current resources would be appropriately applied elsewhere and when resources permit, they will alleviate material weaknesses through various steps.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

(b) *Changes in Internal Control over Financial Reporting.* There were no changes in the Company's internal controls over financial reporting, known to the chief executive officer or the chief financial officer, that occurred during the



period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## **ITEM 9B. OTHER INFORMATION**

There are no further disclosures. All information that was required to be disclosed in a Form 8-K during the fourth quarter 2008 has been disclosed.

## **PART III**

### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.**

#### **Identification of Directors and Executive Officers**

The following table sets forth the name, age, position and office term of each executive officer and director of the Company.

**Name**

**Age**

**Position**

**Director or Officer Since**

Philip J. Davis

53

Sole officer and Director

August 2001

All officers hold their positions at the will of the Board of Directors. All directors hold their positions for one year or until their successors are elected and qualified.

The following is a brief biography of our officer and director.

**Philip J. Davis.** Mr. Davis has been the President and a Director of the Company since August 2001. In April 2007, Mr. Davis became the sole Officer and Director of the Company. Mr. Davis has been the President, Treasurer, Secretary and a Director of Ivory Capital Corporation, a Colorado publicly-held shell corporation from November 1998 to January 2005. From October 2001 to April 2003 Mr. Davis was President, Chief Financial Officer and sole Director of the OneDentist Resources, Inc., a Colorado corporation which operated an on-line dental Web site through OneDentist.com until September 2001. From December 1996 until December 1999, Mr. Davis was the President, Treasurer and a member of the Board of Directors of Mizar Energy Company, a Colorado corporation, which was formed for the purpose of buying, selling and producing oil and gas, and buying and selling oil and gas leases. From May 1991 to November 1995, Mr. Davis was Secretary and Treasurer and from November 1995 to May 1997, was the President of Lahaina Acquisitions, Inc., a Colorado publicly-held shell corporation of which he was also a director from May 1991 to May 1997. From August 1996 to April 2000, Mr. Davis was the President and a member of the Board of Directors of Medical Management Systems, Inc., an inactive Colorado-based reporting corporation.

#### **Term of Office**

The term of office of the current directors shall continue until new directors are elected or appointed.

#### **Involvement in Certain Legal Proceedings**

During the past five years, no present or former director, person nominated to become a director, executive officer, promoter or control person of the Company:

- (1) Was a general partner or executive officer of any business by or against which any bankruptcy petition was filed, whether at the time of such filing or two years prior thereto;
  
- (2) Was convicted in a criminal proceeding or named the subject of a pending criminal proceeding (excluding traffic violations and other minor offenses);
  
- (3) Was the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; and

(4) Was the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any federal or state authority barring, suspending or otherwise limiting for more than 60 days the right of such person to engage in any activity described above under this Item, or to be associated with persons engaged in any such activity;

(5) Was found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

### **Financial Expert**

The Company has no audit committee financial expert, as defined under Section 228.401, serving on its audit committee because it has no audit committee and is not required to have an audit committee because it is not a listed security as defined in Section 240.10A-3.

### **Code of Ethics**

The Company has adopted a code of ethics that applies to the Company's principal executive officer, principal financial officer, principal accounting officer or controller. The Company will provide, at no cost, a copy of the Code of Ethics to any shareholder of the Company upon receiving a written request sent to the Company's address shown on Page 1 of this report.

## **ITEM 11. EXECUTIVE COMPENSATION**

No current or prior officer or director has received any remuneration or compensation from the Company in the past three years, nor has any member of the Company's management been granted any option or stock appreciation right. Accordingly, no tables relating to such items have been included within this Item. None of our employees is subject to a written employment agreement nor has any officer received a cash salary since our founding.

The Summary Compensation Table shows certain compensation information for services rendered in all capacities for the fiscal periods ended December 31, 2008, 2007 and 2006. Other than as set forth herein, no executive officer's salary and bonus exceeded \$100,000 in any of the applicable years. The following information includes the dollar value of base salaries, bonus awards, the number of stock options granted and certain other compensation, if any, whether paid or deferred.

We have no formal compensation agreements or employment contracts with our sole executive officer. Directors do not receive any fees for services on the Board of Directors, but are reimbursed for their expenses for each meeting they attend. Our executive officer did not receive any compensation whatsoever for the years ended December 31, 2005, 2006 and 2007, nor does he currently receive any compensation.

We do not have any agreements or understandings that would change the terms of compensation during the course of the year. We do not anticipate compensating any directors.

**SUMMARY COMPENSATION TABLE**

| Name and<br>Principal<br>Position   | Year<br>Ended | Annual Compensation |               |   | Long Term Compensation<br>Awards      |  |                                 | All Other<br>Compen-<br>sation<br>(\$) |
|---|---------------|---------------------|---------------|---|---------------------------------------|--|---------------------------------|--|
|   |               | Salary<br>(\$)      | Bonus<br>(\$) | Other<br>Annual<br>Compen-<br>sation (\$) | Restricted<br>Stock<br>Awards<br>(\$) | Securities<br>Underlying<br>Options/<br>SARs (#) | Payouts<br>LTIP<br>Payouts (\$) |  |
| Philip J. Davis,<br>President,<br>Secretary,<br>Treasurer,<br>Chief Financial<br>Officer,<br>Director | 2008          | -0-                 | -0-           | -0-                                       | -0-                                   | -0-  | -0-                             | -0-                                    |
|   | 2007          | -0-                 | -0-           | -0-                                       | -0-                                   | -0-  | -0-                             | -0-                                    |
|   | 2006          | -0-                 | -0-           | -0-                                       | -0-                                   | -0-  | -0-                             | -0-                                    |

**Compensation of Directors**

There are no agreements to compensate any of the directors for their services.

Our officers and directors are reimbursed for expenses incurred on our behalf. Our officers and directors will not receive any finder's fee as a result of their efforts to implement the business plan outlined herein. However, our officers and directors anticipate receiving benefits as beneficial shareholders of our common stock.

We have not adopted any retirement, pension, profit sharing, stock option or insurance programs or other similar programs for the benefit of our employees.

### **Termination of Employment and Change of Control Arrangement**

There are no compensatory plans or arrangements, including payments to be received from the Company, with respect to any former employees, officers or directors which would in any way result in payments to any such person because of his or her resignation, retirement or other termination of such person's employment with the Company or its subsidiaries, or any change in control of the Company, or a change in the person's responsibilities following a change in control of the Company.

### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.**

The following table sets forth as of March 23, 2009, the number and percentage of the 979,718 shares of outstanding common stock which, according to the information supplied to the Company, were beneficially owned by (i) each person who is currently a director of the Company, (ii) each executive officer, (iii) all current directors and executive officers of the Company as a group and (iv) each person who, to the knowledge of the Company, is the beneficial owner of more than 5% of the outstanding common stock. Except as otherwise indicated, the persons named in the table have sole voting and dispositive power with respect to all shares beneficially owned, subject to community property laws where applicable.

| <b>Name &amp; Address</b>  | <b>Title of Class</b> | <b>Number of Shares Beneficially Owned</b> | <b>% of Class</b> |
|--|-----------------------|--|-------------------|
| Philip J. Davis (1)<br>5459 S. Iris Street<br>Littleton, CO 80123            | Common                | 362,305                                    | 38.97%            |
| Gary Agron<br>5445 DTC Pkwy., Suite 520<br>Greenwood Village, CO 80111       | Common                | 276,015                                    | 29.69%            |
| GM/CM Family Partners Ltd.<br>14 Red Tail Drive<br>Highlands Ranch, CO 80126 | Common                | 85,238                                     | 9.17%             |
| All directors and executive officers as a group (1 person)                   | Common                | 362,305                                    | 38.97%            |

(1) Officer and/or director

There are no contracts or other arrangements that could result in a change of control of the Company.

### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, DIRECTOR INDEPENDENCE.**

#### **Transactions with Management and Others**

In July 2001, we issued 650,800 shares of common stock in exchange for the Fall River County, South Dakota building lots which were valued at \$27,816. We issued 325,400 to Philip J. Davis, our sole officer and director and 325,400 to a former shareholder.

Mr. Davis has advanced money to us for operating expenses. We currently owe \$9,078. The advances are non-interest bearing and have no due dates but are due on demand.

We entered into a revolving convertible loan agreement with four of our shareholders on April 23, 2007. The principal maximum amount of the loan that can be drawn is \$100,000 bearing interest at 6% per annum. At December 31, 2008, we had borrowed \$58,962 on the revolving loan. The lenders are Philip J. Davis, Gary A. Agron, GM/CM Family Partners, Ltd. and Mathis Family Partners, Ltd. We have accrued interest payable of \$3,449.

We also use office space free of cost provided by Philip J. Davis.

### **Indebtedness of Management**

None; not applicable.

### **Conflicts of Interest**

None of our key personnel is required to commit full time to our affairs and, accordingly, these individuals may have conflicts of interest in allocating management time among their various business activities. In the course of their other business activities, certain key personnel may become aware of investment and business opportunities which may be appropriate for presentation to us, as well as the other entities with which they are affiliated. As such, they may have conflicts of interest in determining to which entity a particular business opportunity should be presented.

Each officer and director is, so long as he is an officer or director, subject to the restriction that all opportunities contemplated by our plan of operation that come to his attention, either in the performance of his duties or in any other manner, will be considered opportunities of, and be made available to us and the companies that he is affiliated with on an equal basis. A breach of this requirement will be a breach of the fiduciary duties of the officer or director. If we or the companies to which the officer or director is affiliated each desire to take advantage of an opportunity, then the applicable officer or director would abstain from negotiating and voting upon the opportunity. However, the officer or director may still take advantage of opportunities if we should decline to do so. Except as set forth above, we have not adopted any other conflict of interest policy in connection with these types of transactions





**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.**

**Audit Fee**

The aggregate fees billed for each of the last two fiscal years for professional services rendered by the principal accountant for the audit of Chay Enterprises, Inc. annual financial statement and review of financial statements included in Chay's 10-Q reports and services normally provided by the accountant in connection with statutory and regulatory filings or engagements were \$9,800 for fiscal year ended 2008 and \$9,000 for fiscal year ended 2007.

**Audit-Related Fees**

The aggregate fees billed in each of the last two fiscal years for assurance and related services by the principal accountant that are reasonably related to the performance of the audit or review of Chay Enterprises, Inc. financial statements that are not reported above were \$0 for fiscal year ended 2008 and \$0 for fiscal year ended 2007.

**Tax Fees**

The aggregate fees billed in each of the last two fiscal years for professional services rendered by the principal accountant for tax compliance, tax advice, and tax planning were \$-0- for fiscal year ended 2008 and \$0 for fiscal year ended 2007.

**All Other Fees**

The aggregate fees billed in each of the last two fiscal years for products and services provided by the principal accountant, other than the services reported above were \$0 for fiscal year ended 2008 and \$0 for fiscal year ended 2007.

We do not have an audit committee currently serving and as a result our board of directors performs the duties of an audit committee. Our board of directors will evaluate and approve in advance, the scope and cost of the engagement of an auditor before the auditor renders audit and non-audit services. We do not rely on pre-approval policies and procedures.

**PART IV****ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.**

## (a) Exhibits

Copies of the following documents are included as exhibits to this report pursuant to Item 601 of Regulation S-B.

The Company has adopted a code of ethics that applies to the Company's principal executive officer, principal financial officer, principal accounting officer or controller. The Company will provide, at no cost, a copy of the Code of Ethics to any shareholder of the Company upon receiving a written request sent to the Company's address shown on Page 1 of this report.

| <b>Exhibit Number</b> | <b>Title</b>   | <b>Location</b> |
|-----------------------|--|-----------------|
| Exhibit 3(i)          | Articles of Incorporation  | *               |
| Exhibit 3(ii)         | Bylaws   | *               |
| Exhibit 31.1          | Certification of the Principal Executive Officer and Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002   | Attached        |
| Exhibit 31.2          | Certification of the Principal Executive Officer and Principal Financial Officer pursuant to U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 ** | Attached        |

\* Incorporated by reference. Filed as exhibit to SB-2 filed October 5, 2007

\*\* The Exhibit attached to this Form 10-KSB shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to liability under that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.



**SIGNATURES**

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**CHAY ENTERPRISES, INC.**

Date: March 30, 2009

/s/ Philip J. Davis

Philip J. Davis

Chief Executive Officer and

Chief Financial Officer

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: March 30, 2009

/s/ Philip J. Davis

Philip J. Davis

Director

**CHAY ENTERPRISES, INC.**

**(A Development Stage Enterprise)**

**FINANCIAL STATEMENTS**

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**CHAY ENTERPRISES, INC.**  
**(A Development Stage Enterprise)**

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Report of Independent Registered Public Accounting Firm

Board of Directors

Chay Enterprises, Inc.

We have audited the accompanying balance sheets of Chay Enterprises, Inc., as of December 31, 2008 and 2007, and the related statements of operations, shareholders' (deficit), and cash flows for the two years ended December 31, 2008 and 2007 and for the development stage period from July 31, 2001 to December 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chay Enterprises, Inc. as of December 31, 2008 and 2007, and the results of its operations and cash flows for the two years ended December 31, 2008 and 2007 and for the development stage period from July 31, 2001 to December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 1, the Company has recurring losses, has negative working capital, and no business operations which raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to this matter are also discussed in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.



/s/ Schumacher & Associates, Inc.

SCHUMACHER & ASSOCIATES, INC.

Denver, Colorado

March 25, 2009

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**CHAY ENTERPRISES, INC.**  
**(A Development Stage Enterprise)**  
**BALANCE SHEETS**

| <b>ASSETS</b>  | <b>December<br/>31,<br/>2008</b> | <b>December<br/>31,<br/>2007</b> |
|--|----------------------------------|----------------------------------|
| <b>CURRENT ASSETS:</b>   |                                  |                                  |
| Cash   | \$ 2,782                         | \$ 1,594                         |
| <i>Total current assets</i>  | 2,782                            | 1,594                            |
| <b>INVESTMENTS IN REAL ESTATE</b>  |                                  |                                  |
| Fall River County  | 30,154                           | 30,154                           |
| <i>Total assets</i>  | \$ 32,936                        | \$ 31,748                        |
| <br><b>LIABILITIES AND SHAREHOLDERS' (DEFICIT)</b>   |                                  |                                  |
| <b>CURRENT LIABILITIES:</b>  |                                  |                                  |
| Note payable, related parties  | \$ 58,962                        | \$ 20,000                        |
| Advances payable, related party  | 9,078                            | 9,078                            |
| Accounts payable   | 4,220                            | 12,653                           |
| Accrued real estate taxes  | 1,091                            | 1,200                            |
| Accrued interest payable, related parties  | 3,449                            | 800                              |
| <i>Total current liabilities</i>   | 76,800                           | 43,731                           |
| <br>Commitments and contingencies (Notes 1, 3 and 4)   |                                  |                                  |
| <b>SHAREHOLDERS' (DEFICIT)</b>   |                                  |                                  |
| Preferred stock, no par value,<br>10,000,000 shares authorized, None<br>issued and outstanding         | -                                | -                                |
| Common stock, no par value,<br>100,000,000 shares authorized, 929,718<br>shares issued and outstanding | 30,418                           | 30,418                           |

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|  |                  |                  |
|--|------------------|------------------|
| Accumulated deficit to July 31, 2001                 | (1,790)          | (1,790)          |
| Deficit accumulated during the development stage     | (72,492)         | (40,611)         |
| <b>Total shareholders' (deficit)</b>                 | <b>(43,864)</b>  | <b>(11,983)</b>  |
| <b>Total liabilities and shareholders' (deficit)</b> | <b>\$ 32,936</b> | <b>\$ 31,748</b> |

The accompanying notes are an integral part of these statements.

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**CHAY ENTERPRISES, INC.**  
**(A Development Stage Enterprise)**  
**STATEMENTS OF OPERATIONS**

|  | <b>Year Ended<br/>December<br/>31,<br/>2008</b> | <b>Year Ended<br/>December<br/>31,<br/>2007</b> | <b>Period From<br/>July 31, 2001<br/>(Date of<br/>Development<br/>Stage)<br/>to December<br/>31,<br/>2008</b> |
|--|---|---|---|
| <b>INCOME:</b>   |   |   |   |
| Sales  | \$ -  | \$ -  | \$ -  |
| <b>EXPENSES:</b>   |   |   |   |
| Accounting and audit                                     | 16,960  | 17,320  | 34,280  |
| Legal fees   | 6,721   | 10,482  | 18,772  |
| Real estate tax  | 950   | 1,200   | 8,384   |
| Miscellaneous  | 4,601   | 2,193   | 7,607   |
| <i>Total operating expenses</i>                          | 29,232  | 31,195  | 69,043  |
| <b>OTHER (EXPENSE):</b>                                  |   |   |   |
| Interest expense   | (2,649)   | (800)   | (3,449)   |
| <b>NET LOSS</b>  | <b>\$ (31,881)</b>                              | <b>\$ (31,995)</b>                              | <b>\$ (72,492)</b>  |
| <b>LOSS PER SHARE</b>                                    | <b>\$ (0.03)</b>                                | <b>\$ (0.03)</b>                                | <b>\$ (0.08)</b>  |
| <b>WEIGHTED AVERAGE NUMBER OF<br/>SHARES OUTSTANDING</b> | <b>929,718</b>                                  | <b>929,718</b>                                  | <b>929,718</b>  |

The accompanying notes are an integral part of these statements.

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**CHAY ENTERPRISES, INC.**  
**(A Development Stage Enterprise)**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' (DEFICIT)**  
**for the period from March 29, 1996 (Date of Inception) through December 31, 2008**

|  | <b>Restated</b>     |                  |                    |                    | <b>Accumulated</b> |         |   |      |              |
|--|---------------------|------------------|--------------------|--------------------|--------------------|---------|---|------|--------------|
|  | <b>(Note 2)</b>     |                  |                    |                    | <b>Deficit</b>     |         |   |      |              |
|  |                     |                  |                    |                    | <b>During</b>      |         |   |      |              |
|  |                     |                  |                    |                    | <b>the</b>         |         |   |      |              |
|  |                     |                  |                    |                    | <b>Development</b> |         |   |      |              |
|  | <b>Common Stock</b> | <b>Preferred</b> | <b>Accumulated</b> | <b>Development</b> | <b>Stage</b>       |         |   |      | <b>Total</b> |
|  | <b>Shares</b>       | <b>Amount</b>    | <b>Stock</b>       | <b>Deficit</b>     | <b>Stage</b>       |         |   |      |              |
| <b>BALANCES, at inception (March 29, 1996)</b>                                       | -                   | \$ -             | -                  | \$ -               | -                  | \$ -    | - | \$ - | -            |
| Sale of common stock to founders in March 1996 for \$.007 per share                  | 255,716             | 1,790            | -                  | -                  | -                  | -       | - | -    | 1,790        |
| Sale of common stock in March 1996 for \$.035 per share                              | 23,202              | 812              | -                  | -                  | -                  | -       | - | -    | 812          |
| Common stock issued in exchange for real estate on July 31, 2001 at \$.043 per share | 650,800             | 27,816           | -                  | -                  | -                  | -       | - | -    | 27,816       |
| Net loss for the period from inception to December 31, 2004                          | -                   | -                | -                  | (1,790)            | -                  | (6,622) | - | -    | (8,412)      |
|  | 929,718             | 30,418           | -                  | (1,790)            | -                  | (6,622) | - | -    | 22,006       |

**BALANCES,  
December 31,  
2004**

|          |   |   |   |   |       |       |
|----------|---|---|---|---|-------|-------|
| Net loss | - | - | - | - | (990) | (990) |
|----------|---|---|---|---|-------|-------|

**BALANCES,  
December 31,  
2005**

|  |         |        |   |         |         |        |
|--|---------|--------|---|---------|---------|--------|
|  | 929,718 | 30,418 | - | (1,790) | (7,612) | 21,016 |
|--|---------|--------|---|---------|---------|--------|

|          |   |   |   |   |         |         |
|----------|---|---|---|---|---------|---------|
| Net loss | - | - | - | - | (1,004) | (1,004) |
|----------|---|---|---|---|---------|---------|

**BALANCES,  
December 31,  
2006**

|  |         |        |   |         |         |        |
|--|---------|--------|---|---------|---------|--------|
|  | 929,718 | 30,418 | - | (1,790) | (8,616) | 20,012 |
|--|---------|--------|---|---------|---------|--------|

|          |   |   |   |   |          |          |
|----------|---|---|---|---|----------|----------|
| Net loss | - | - | - | - | (31,995) | (31,995) |
|----------|---|---|---|---|----------|----------|

**BALANCES,  
December 31,  
2007**

|  |         |        |   |         |          |          |
|--|---------|--------|---|---------|----------|----------|
|  | 929,718 | 30,418 | - | (1,790) | (40,611) | (11,983) |
|--|---------|--------|---|---------|----------|----------|

|          |   |   |   |   |          |          |
|----------|---|---|---|---|----------|----------|
| Net loss | - | - | - | - | (31,881) | (31,881) |
|----------|---|---|---|---|----------|----------|

**BALANCES,  
December 31,  
2008**

|  |         |           |      |            |             |             |
|--|---------|-----------|------|------------|-------------|-------------|
|  | 929,718 | \$ 30,418 | \$ - | \$ (1,790) | \$ (72,492) | \$ (43,864) |
|--|---------|-----------|------|------------|-------------|-------------|

The accompanying notes are an integral part of these statements.

**CHAY ENTERPRISES, INC.**  
**(A Development Stage Enterprise)**  
**STATEMENTS OF CASH FLOWS**

|  | <b>Year<br/>Ended<br/><br/>December<br/>31,<br/>2008</b> | <b>Year<br/>Ended<br/><br/>December<br/>31,<br/>2007</b> | <b>Period From<br/>July 31, 2001<br/>(Date of<br/>Development<br/>Stage)<br/><br/>to December<br/>31,<br/>2008</b> |
|--|--|--|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                   |  |  |  |
| Net loss   | \$ (31,881)  | \$ (31,995)  | \$ (72,492)  |
| Adjustments to reconcile net loss to net cash<br>used by operating activities: |  |  |  |
| Change in accounts payable and<br>accrued expenses                             | (5,893)  | 13,649   | 8,760  |
| Net cash used in<br>operating activities                                       | (37,774)   | (18,346)   | (63,732)   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                   |  |  |  |
| Increase in real estate development costs                                      | -  | -  | (2,338)  |
| Net cash used in<br>investing activities                                       | -  | -  | (2,338)  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                   |  |  |  |
| Proceeds from note payable, related party                                      | 38,962   | 20,000   | 58,962   |
| Increase (decrease) in advances payable, related<br>party                      | -  | (60)   | 7,288  |
| Proceeds from sale of common stock   | -  | -  | 2,602  |
| Net cash provided by<br>financing activities                                   | 38,962   | 19,940   | 68,852   |
| <b>NET INCREASE IN CASH</b>  | <b>1,188</b>   | <b>1,594</b>   | <b>2,782</b>   |
| <b>CASH, at beginning of period</b>  | <b>1,594</b>   | <b>-</b>   | <b>-</b>   |
| <b>CASH, at end of period</b>  | <b>\$ 2,782</b>  | <b>\$ 1,594</b>  | <b>\$ 2,782</b>  |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW<br/>INFORMATION:</b>                   |  |  |  |



|                            |   |   |   |
|----------------------------|---|---|---|
| Cash paid for interest     | - | - | - |
| Cash paid for income taxes | - | - | - |

**SUPPLEMENTAL DISCLOSURE OF  
NON-CASH INVESTING AND FINANCING  
ACTIVITIES:**

|   |    |   |    |   |    |        |
|---|----|---|----|---|----|--------|
| Real estate acquired via issuance of common stock | \$ | - | \$ | - | \$ | 27,816 |
|---|----|---|----|---|----|--------|

The accompanying notes are an integral part of these statements.

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**CHAY ENTERPRISES, INC.**

**(A Development Stage Enterprise)**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2008**

*NOTE 1 - ORGANIZATION, OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES*

This summary of significant accounting policies of the Company is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who are responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles in the United States of America and have been consistently applied in the preparation of the financial statements.

**Organization and Description of Business**

Chay Enterprises, Inc. ( Chay ) was incorporated on March 29, 1996 in the state of Colorado and is currently in the development stage. The Company is in the business of real estate investment and development.

The Company's financial statements have been presented on the basis that it will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The Company remains dependent upon its ability to obtain outside financing either through the issuance of additional shares of its common stock or through borrowings until it achieves sustained profitability through increased sales and cost containment.

**Basis of Presentation - Going Concern**

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America, which contemplates continuation of the Company as a going concern. However, the Company has recurring losses, has negative working capital, and does not have any revenue generating operations, all of which raise substantial doubt about its ability to continue as a going concern.

In view of these matters, continuation as a going concern is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to meet its financial requirements, raise additional capital, and the success of its future operations. The financial statements do not include any adjustments to the amount and classification of assets and liabilities that may be necessary should the Company not continue as a going concern.

Management has opted to commence filing reports with the Securities and Exchange Commission (SEC) and then to raise funds through a private placement. Management believes that this plan provides an opportunity for the Company to continue as a going concern.

### **Cash and Cash Equivalents**

All highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents.

### **Investment in Real Estate**

The real estate owned by the Company was acquired in July of 2001. This property consists of land in the state of South Dakota. The carrying value of real estate includes the initial acquisition costs of land and subsequent development costs. Development costs consist principally of preliminary engineering plans.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Management believes that the estimates utilized in the preparation of the financial statements are prudent and reasonable. Actual results could differ from these estimates.



**CHAY ENTERPRISES, INC.**

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**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2008**

**Impairment of Long Lived Assets**

The Company evaluates its real estate investment for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with Statement of Financial Accounting Standards ( SFAS ) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets and SFAS No. 67 Accounting for Costs and Initial Rental Operations of Real Estate Projects. An asset is considered impaired if its carrying amount exceeds the future net cash flow the asset is expected to generate or its net realizable value. If such review indicates that the asset is impaired, the asset s carrying amount is written down to fair value. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less the cost to sell. At December 31, 2008 and 2007, the Company performed a test of impairment and concluded there was no impairment.

**Fair Value of Financial Instruments**

SFAS No. 107, Disclosures About Fair Value of Financial Instruments ( SFAS 107 ) requires disclosure of fair value information about financial instruments when it is practicable to estimate that value. The carrying amount of the Company s notes payable, accounts payable, advances from related party, and accrued liabilities approximate their estimated fair values due to their short-term maturities.

**Concentrations**

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents. At December 31, 2008 and 2007, the Company had no amounts of cash or cash equivalents in financial institutions in excess of amounts insured by agencies of the U.S. Government.

**Development Stage Enterprise**

Based on the Company's business plan, it is a development stage company since planned principal operations have not yet commenced. Accordingly, the Company presents its financial statements in conformity with the accounting principles generally accepted in the United States of America that apply to enterprises that are establishing their operations. As a development stage enterprise, the Company discloses the deficit accumulated during the development stage and the cumulative statements of operations and cash flows from commencement of development stage to the current balance sheet date. The development stage began on July 31, 2001, when the Company acquired the real estate that it intends to develop.

### **Per Share Information**

SFAS No. 128, Earnings Per Share, provides for the calculation of Basic and Diluted earnings per share. Basic earnings per share includes no dilution and is computed by dividing net income (or loss) by the weighted-average number of shares outstanding during the period, and also reflects the effect of any reverse stock split. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of the Company, assuming the issuance of an equivalent number of common shares pursuant to options, warrants, or convertible debt arrangements. Diluted earnings per share is not shown for periods in which the Company incurs a loss because it would be anti-dilutive. Similarly, potential common stock equivalents are not included in the calculation if the effect would be anti-dilutive.

### **Income Taxes**

Deferred income taxes are reported for timing differences between items of income or expense reported in the financial statements and those reported for income tax purposes in accordance with SFAS No. 109, Accounting for Income Taxes, which requires the use of the asset/liability method of accounting for income taxes. Deferred income taxes and tax benefits are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and for tax loss and credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company provides for deferred taxes for the estimated future tax effects attributable to temporary differences and carry-forwards when realization is more likely than not.

**CHAY ENTERPRISES, INC.**

**(A Development Stage Enterprise)**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2008**

**Recent Accounting Pronouncements**

In December 2007, the Financial Accounting Standards Board ( FASB ) issued SFAS No. 141(R), Business Combinations ( SFAS 141R ). SFAS 141R replaces SFAS No. 141 and provides greater consistency in the accounting and financial reporting of business combinations. SFAS 141R requires the acquiring entity in a business combination to recognize all assets acquired and liabilities assumed in the transaction and any non-controlling interest in the acquiree at the acquisition date, measured at the fair value as of that date. This includes the measurement of the acquirer shares issued in consideration for a business combination, the recognition of contingent consideration, the accounting for pre-acquisition gain and loss contingencies, the recognition of capitalized in-process research and development, the accounting for acquisition-related restructuring cost accruals, the treatment of acquisition related transaction costs and the recognition of changes in the acquirer s income tax valuation allowance and deferred taxes. SFAS 141R is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Early adoption is not permitted. The Company is currently evaluating the impact of adopting SFAS 141R on the results of operations and financial position.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements (SFAS 160), which becomes effective on January 1, 2009. This standard establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent s ownership interest and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. The Statement also establishes reporting requirements that provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. Management is currently evaluating the impact of adopting this statement.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an Amendment of FASB Statement No. 133 (SFAS 161), which becomes effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. This standard changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations, and (c) how derivative instruments and related

hedged items affect an entity's financial position, financial performance, and cash flows. Management is currently evaluating the impact of adopting this statement.

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles (SFAS 162). This standard sets forth the sources of accounting principles and provides entities with a framework for selecting the principles used in the preparation of financial statements that are presented in conformity with GAAP. It is not expected to change any of our current accounting principles or practices and therefore, is not expected to have a material impact on our financial statements.

In May 2008, the FASB ratified FASB Staff Position No. APB-14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) ( FSP APB 14-1 ) that will require separate accounting for the debt and equity components of convertible instruments. FSP APB 14-1 will require that the value assigned to the debt component would be the estimated fair value of a similar bond without the conversion feature, which would result in the debt being recorded at a discount. The resulting debt discount will be amortized over the period during which the debt is expected to be outstanding (i.e., through the first optional redemption date) as additional non-cash interest expense. FSP APB 14-1 is effective January 1, 2009. The Company is currently evaluating the impact of adopting FSP APB 14-1 on the results of operations and financial position.

There were various other accounting standards and interpretations issued during 2008 and 2007, none of which are expected to have a material impact on the Company's financial position, operations or cash flows.

***NOTE 2 - SHAREHOLDERS (DEFICIT)***

On July 31, 2008, the Company's shareholders approved an increase in the number of authorized shares of common stock from 25,000,000 to 100,000,000, and approved a reverse split of the common stock in the ratio of 1 share for 3.5 shares. Fractional shares were rounded up to the nearest whole share. All references in the accompanying financial statements to the number of shares authorized and outstanding and to per share amounts have been retroactively adjusted to reflect the reverse stock split.



**CHAY ENTERPRISES, INC.**

**(A Development Stage Enterprise)**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2008**

The authorized capital stock of the Company consists of 100,000,000 shares of no par value voting common stock and 10,000,000 shares of no par value voting preferred stock.

In March 1996, the Company issued 255,716 shares of common stock to its founders for \$1,790 at \$0.007 per share. In March 1996, the Company sold 23,202 shares of common stock for \$812 at \$.035 per share. In July 2001, the Company issued 650,800 shares of common stock in exchange for real estate that was valued at \$27,816, or \$0.043 per share.

***NOTE 3 - RELATED PARTY TRANSACTIONS***

A shareholder of the Company has advanced money to the Company for operating expenses. The amount owed by the Company as of December 31, 2008 and 2007 was \$9,078. The advances are uncollateralized, non-interest bearing and are due on demand.

On April 23, 2007, the Company entered into a \$100,000 revolving convertible loan agreement with four of its shareholders. The loan is uncollateralized, bears interest at 6% per annum, is due on demand and is convertible into restricted common stock at \$.10 per share. As of December 31, 2008, proceeds of \$58,962 had been received under the terms of the agreement. Subsequent to December 31, 2008, additional proceeds of \$7,000 were received.

The Company uses the offices of its President for its minimal office facility needs for no consideration. No provision for these costs has been provided since it has been determined that they are immaterial.

***NOTE 4 - INCOME TAXES***

Deferred income taxes arise from temporary timing differences in the recognition of income and expenses for financial reporting and tax purposes. The Company's deferred tax assets consist entirely of the benefit from net operating loss (NOL) carry-forwards. The net operating loss carry-forward if not used, will expire in various years through 2028, and is severely restricted as per the Internal Revenue code if there is a change in ownership. The Company's deferred tax assets are offset by a valuation allowance due to the uncertainty of the realization of the net operating loss carry-forwards. Net operating loss carry-forwards may be further limited by other provisions of the tax laws.

The Company's deferred tax assets, valuation allowance, and change in valuation allowance are as follows:

| <u>Period Ending</u> | <u>Estimated NOL</u> |                    | <u>Estimated Tax</u> |                  | <u>Change in</u> |                |
|----------------------|----------------------|--------------------|----------------------|------------------|------------------|----------------|
|                      | <u>Carry-forward</u> | <u>NOL Expires</u> | <u>Benefit</u>       | <u>Valuation</u> | <u>Valuation</u> | <u>Net Tax</u> |
|                      |                      |                    | <u>from NOL</u>      | <u>Allowance</u> | <u>Allowance</u> | <u>Benefit</u> |
| December 31, 2007    | 42,400               | Various            | 7,844                | (7,844)          | (5,919)          |                |
| December 31, 2008    | 31,881               | 2028               | 5,896                | (5,896)          | (5,896)          |                |

Income taxes at the statutory rate are reconciled to the Company's actual income taxes as follows:

|  |         |
|--|---------|
| Income tax benefit at statutory rate resulting from net operating loss carry-forward | (15.0%) |
| State tax (benefit) net of federal benefit   | (3.5%)  |
| Deferred income tax valuation allowance  | 18.5%   |
| Actual tax rate  | 0%      |